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**Illinois-American Water Company**  
**Pekin**  
**Statement of Operating Income with Adjustments**  
**For the Test Year Ending September 30, 2013**

Line No.	Description	Company Pro Forma Present Adjusted (Company Schedule C-2)	Company Update Adjustments	Company Rebuttal Adjustments	Company Rebuttal GRCF Adj.	Company Rebuttal Case Pro Forma Adjusted
	(a)	(b)	(c)	(d)	(e)	(f)
1	Tariff Revenue	\$ 7,186,942	\$ (8,845)	\$ -	\$ (17)	\$ 7,178,080
2	Other Revenue	125,843	(63,340)	-	-	62,503
3	Total Operating Revenue	7,312,785	(72,185)	-	(17)	7,240,583
4	Uncollectible Accounts Expense	62,238	(473)	-	(17)	61,748
5	Labor	921,156	(10,957)	(520)	-	909,679
6	Fuel & Power	225,190	(143,861)	-	-	81,329
7	Chemicals	67,748	(113)	-	-	67,635
8	Waste Disposal	-	-	-	-	-
9	Service Company Fees	1,056,455	(16,410)	(841)	-	1,039,204
10	Group Insurance	225,820	1,998	-	-	227,818
11	Pensions	107,653	884	-	-	108,537
12	Regulatory Expense	51,173	(1,715)	-	-	49,458
13	Insurance - other	150,247	-	-	-	150,247
14	Customer Accounting	135,250	-	-	-	135,250
15	Rents	4,653	-	-	-	4,653
16	General Office Expense	176,003	-	(4,229)	-	171,774
17	Maintenance - other	335,439	-	-	-	335,439
18	Miscellaneous	429,412	(6,010)	-	-	423,402
19	Depreciation & Amortization	1,586,214	(5,537)	-	-	1,580,677
20	Taxes other than Income	503,032	(535)	-	-	502,497
21	Total Operating Expense					
22	Before Income Taxes	6,037,683	(182,729)	(5,590)	(17)	5,849,347
23	State Income Tax	45,733	26,724	251	(1)	72,707
24	Federal Income Tax	480,955	171,714	1,900	-	654,569
25	Deferred Taxes and ITCs Net	-	-	-	-	-
26	Total Operating Expenses	6,564,371	15,709	(3,439)	(18)	6,576,623
27	NET OPERATING INCOME	\$ 748,414	\$ (87,894)	\$ 3,439	\$ 1	\$ 663,960

**Illinois-American Water Company**  
**Pekin**  
**Adjustments to Operating Income**  
**For the Test Year Ending September 30, 2013**

Line No.	Description	Interest Synchronization (Staff Initial Brief PK, p. 8)	Rate Case Expense (Staff Ex. 16.0 Sch. 16.1)	Social/Service Memberships (Staff Ex. 11.0 Sch. 11.2 Corrected)	Management Audit Costs (Staff Ex. 11.0 Sch. 11.3 Revised)	Call Center Expansion Costs (Staff IB)	Call Center CCAP/SLAP Telephone Costs (Staff IB)	(Source)	Total Operating Statement Adjustments
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
1	Tariff Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	Miscellaneous Revenue	-	-	-	-	-	-	-	-
3	Total Operating Revenue	-	-	-	-	-	-	-	-
4	Uncollectible Accounts Expense	-	-	-	-	-	-	-	-
5	Labor	-	-	-	-	-	-	-	-
6	Fuel & Power	-	-	-	-	-	-	-	-
7	Chemicals	-	-	-	-	-	-	-	-
8	Waste Disposal	-	-	-	-	-	-	-	-
9	Service Company Fees	-	-	-	-	(528)	(3,855)	-	(4,383)
10	Group Insurance	-	-	-	-	-	-	-	-
11	Pensions	-	-	-	-	-	-	-	-
12	Regulatory Expense	-	(3,495)	-	-	-	-	-	(3,495)
13	Insurance - other	-	-	-	-	-	-	-	-
14	Customer Accounting	-	-	-	-	-	-	-	-
15	Rents	-	-	-	-	-	-	-	-
16	General Office Expense	-	-	-	-	-	-	-	-
17	Maintenance - other	-	-	-	-	-	-	-	-
18	Miscellaneous	-	-	(2,630)	(10)	-	-	-	(2,640)
19	Depreciation & Amortization	-	-	-	-	-	-	-	-
20	Taxes other than Income	-	-	-	-	-	-	-	-
21	Total Operating Expense	-	-	-	-	-	-	-	-
22	Before Income Taxes	-	(3,495)	(2,630)	(10)	(528)	(3,855)	-	(10,518)
23	State Income Tax	(3,396)	155	117	-	23	171	-	(2,930)
24	Federal Income Tax	(25,610)	1,169	880	3	177	1,289	-	(22,092)
25	Deferred Taxes and ITCs Net	-	-	-	-	-	-	-	-
26	Total Operating Expenses	(29,006)	(2,171)	(1,633)	(7)	(328)	(2,395)	-	(35,540)
27	NET OPERATING INCOME	\$ 29,006	\$ 2,171	\$ 1,633	\$ 7	\$ 328	\$ 2,395	\$ -	\$ 35,540

**Illinois-American Water Company**  
**Pekin**  
**Rate Base**  
For the Test Year Ending September 30, 2013

Line No.	Description	Company Rebuttal Case Pro Forma Adjusted (Staff Initial Brief PK, p. 5)	Staff Adjustments (Staff Initial Brief PK, p. 6)	Staff Pro Forma Rate Base (Col. b+c)
	(a)	(b)	(c)	(d)
1	Gross Utility Plant in Service	\$ 37,493,533	\$ -	\$ 37,493,533
2	Less: Accumulated Depreciation	<u>(14,168,198)</u>	<u>-</u>	<u>(14,168,198)</u>
3	Net Utility Plant in Service	23,325,335	-	23,325,335
4	Construction Work in Progress	\$ -	\$ -	\$ -
5	Utility Plant Acquisition Adj. - DuPage	-	-	-
6	Additions to Rate Base			
7	Cash Working Capital	259,000	(136,000)	123,000
8	Materials & Supplies	118,110	-	118,110
9	Deferred Charges - Tank Painting	165,544	-	165,544
10	FAS 109 Reg. Asset-Net of Liability	79,622	-	79,622
11	Service Company Audit Costs	51,505	(46)	51,459
12	-	-	-	-
13	-	-	-	-
14	-	-	-	-
15	Deductions From Rate Base			
16	Customer Advances	(1,381,677)	-	(1,381,677)
17	Pension Asset (Liability)	331,305	(331,305)	-
18	OPEB Liability	(100,295)	-	(100,295)
19	Contributions in Aid of Construction	(2,337,724)	-	(2,337,724)
20	Accum. Depr. On CIAC	943,105	-	943,105
21	Budget Payment Plan	-	-	-
22	Deferred Federal Income Taxes	(1,324,124)	(1,164)	(1,325,288)
23	Deferred State Income Taxes	(54,979)	-	(54,979)
24	Investment Tax Credit - pre 1971	<u>(103)</u>	<u>-</u>	<u>(103)</u>
25	Rate Base	<u>\$ 20,074,624</u>	<u>\$ (468,515)</u>	<u>\$ 19,606,109</u>

**Illinois-American Water Company**  
**Pekin**  
**Rate Base**  
For the Test Year Ending September 30, 2013

Line No.	Description	Company Pro Forma Present Adjusted (Company Schedule B-1)	Company Update	Company Rebuttal	Company Rebuttal Case Pro Forma Adjusted
	(a)	(b)	(c)	(d)	(e)
1	Gross Utility Plant in Service	\$ 37,575,112	\$ (81,579)	\$ -	\$ 37,493,533
2	Less: Accumulated Depreciation	(14,274,340)	108,132	(1,990)	(14,168,198)
3	Net Utility Plant in Service	23,300,772	26,553	(1,990)	23,325,335
4	Construction Work in Progress	\$ -	-	\$ -	\$ -
5	Utility Plant Acquisition Adj. - DuPage	-	-	-	-
6	Additions to Rate Base				
7	Cash Working Capital	378,000	(118,000)	(1,000)	259,000
8	Materials & Supplies	118,110	-	-	118,110
9	Deferred Charges - Tank Painting	165,544	-	-	165,544
10	FAS 109 Reg. Asset-Net of Liability	82,507	(2,885)	-	79,622
11	Service Company Audit Costs	18,127	33,378	-	51,505
12		-	-	-	-
13		-	-	-	-
14		-	-	-	-
15	Deductions From Rate Base	-	-	-	-
16	Customer Advances	(1,381,677)	-	-	(1,381,677)
17	Pension Asset (Liability)	364,033	(32,728)	-	331,305
18	OPEB Liability	(100,665)	370	-	(100,295)
19	Contributions in Aid of Construction	(2,337,724)	-	-	(2,337,724)
20	Accum. Depr. On CIAC	943,105	-	-	943,105
21	Budget Payment Plan	-	-	-	-
22	Deferred Federal Income Taxes	(1,306,166)	(17,958)	-	(1,324,124)
23	Deferred State Income Taxes	(51,790)	(3,189)	-	(54,979)
24	Investment Tax Credit - pre 1971	(103)	-	-	(103)
25	Rate Base	\$ 20,192,073	\$ (114,459)	\$ (2,990)	\$ 20,074,624

**Illinois-American Water Company**  
**Pekin**  
Adjustments to Rate Base  
For the Test Year Ending September 30, 2013

Line No.	Description	Cash Working Capital (Staff Initial Brief PK, p. 10)	Pension Asset (Staff Ex. 10.0 Sch. 10.1)	Management Audit Costs (Staff Ex. 11.0 Sch. 11.3 Revised)	FIN 48 ADIT (AG Ex. 2.2)	(Source)	(Source)	(Source)	Total Rate Base Adjustments
	(a)	(b)	(e)	(e)	(e)	(f)	(g)	(h)	(i)
1	Gross Utility Plant in Service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	Less: Accumulated Depreciation	-	-	-	-	-	-	-	-
3	Net Utility Plant in Service	-	-	-	-	-	-	-	-
4	Construction Work in Progress	-	-	-	-	-	-	-	-
5	Utility Plant Acquisition Adj. - DuPage	-	-	-	-	-	-	-	-
6	Additions to Rate Base								
7	Cash Working Capital	(136,000)	-	-	-	-	-	-	(136,000)
8	Materials & Supplies	-	-	-	-	-	-	-	-
9	Deferred Charges - Tank Painting	-	-	-	-	-	-	-	-
10	FAS 109 Reg. Asset-Net of Liability	-	-	-	-	-	-	-	-
11	Service Company Audit Costs	-	-	(46)	-	-	-	-	(46)
12	-	-	-	-	-	-	-	-	-
13	-	-	-	-	-	-	-	-	-
14	-	-	-	-	-	-	-	-	-
15	Deductions From Rate Base								
16	Customer Advances	-	-	-	-	-	-	-	-
17	Pension Asset (Liability)	-	(331,305)	-	-	-	-	-	(331,305)
18	OPEB Liability	-	-	-	-	-	-	-	-
19	Contributions in Aid of Construction	-	-	-	-	-	-	-	-
20	Accum. Depr. On CIAC	-	-	-	-	-	-	-	-
21	Budget Payment Plan	-	-	-	-	-	-	-	-
22	Deferred Federal Income Taxes	-	36,836	-	(38,000)	-	-	-	(1,164)
23	Deferred State Income Taxes	-	-	-	-	-	-	-	-
24	Investment Tax Credit - pre 1971	-	-	-	-	-	-	-	-
25	Rate Base	<u>\$ (136,000)</u>	<u>\$ (294,469)</u>	<u>\$ (46)</u>	<u>\$ (38,000)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (468,515)</u>

Illinois-American Water Company  
Revenue Effect of Staff's Adjustments  
Pekin  
Statement of Operating Income with Adjustments

Line No.	Description	IAWC Proposal	Staff's Adjustments	Staff's Proposal
	(a)	(b)	(c)	(d)
1	<b>Summary</b>			
2	Current Revenues	\$ 7,240,583		\$ 7,240,583
3	<b>Proposed Increase</b>	<b>1,754,419</b>	<b>(538,334) #</b>	<b>1,216,085</b>
4	Proposed Revenue Requirement	\$ 8,995,002	\$ (538,334)	\$ 8,456,668
5	<b>Percentage Increase</b>	<b>24.23 %</b>	<b>(7.43)%</b>	<b>16.80 %</b>
6	<b>Effect of Each Staff Adjustment</b>			
7	Rate of Return		\$ (424,410)	
8	Interest Synchronization (Staff Initial Brief PK, p. 8)		(56,985)	
9	Pension Asset (Staff Ex. 10.0 Sch. 10.1)		(29,107)	
10	Cash Working Capital (Staff Initial Brief PK, p. 10)		(13,443)	
11	Call Center CCAP/SLAP Telephone Costs (Staff IB)		(3,889)	
12	FIN 48 ADIT (AG Ex. 2.2)		(3,756)	
13	Rate Case Expense (Staff Ex. 16.0 Sch. 16.1)		(3,525)	
14	Social/Service Memberships (Staff Ex. 11.0 Sch. 11.2 Corrected)		(2,651)	
15	Call Center Expansion Costs (Staff IB)		(533)	
16	Gross Revenue Conversion Factor		(19)	
17	Management Audit Costs (Staff Ex. 11.0 Sch. 11.3 Revised)		(16)	
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36				
37	Rounding		-	
38	Effect of Staff's Adjustments		<b>\$ (538,334)</b>	
39	<b>Reconciliation to Staff Initial Brief</b>			
40	Column (c), line 5.		-	
41	Column (f), line 5.		(19)	
42	Column (h), line 5.		(538,315)	
43	Total Effect of Staff's Adjustments		<b>\$ (538,334)</b>	

Illinois-American Water Company  
Pekin  
Interest Synchronization Adjustment  
For the Test Year Ending September 30, 2013

Line No.	Description	Amount
	(a)	(b)
1	Gross Utility Plant in Service	\$ 19,606,109 (1)
2	Weighted Cost of Debt	3.43% (2)
3	Synchronized Interest Per Staff	672,784
4	Company Interest Expense	<u>596,216</u> (3)
5	Increase (Decrease) in Interest Expense	<u>76,568</u>
6	Increase (Decrease) in State Income Tax Expense	
7	at 4.435%	\$ <u>(3,396)</u>
8	Increase (Decrease) in Federal Income Tax Expense	
9	at 35.000%	\$ <u>(25,610)</u>

(1) Source: Staff Initial Brief PK, p. 4, Column (d)

(2) Source: ICC Staff Exhibit 14.0 Schedule 14.1

(3) Source: Company Rebuttal (IAWC Ex. 5.05R)



**Illinois-American Water Company**  
**Pekin**  
**Gross Revenue Conversion Factor**  
**For the Test Year Ending September 30, 2013**

Line No.	Description	Rate	Per Staff With Bad Debts	Per Staff Without Bad Debts
	(a)	(b)	(c)	(d)
1	Revenues		1.000000	
2	Uncollectibles	0.8500%	<u>0.008500</u>	
3	State Taxable Income		0.991500	1.000000
4	State Income Tax	4.4347%	<u>0.043970</u>	<u>0.044347</u>
5	Federal Taxable Income		0.947530	0.955653
6	Federal Income Tax	35.0000%	<u>0.331635</u>	<u>0.334479</u>
7	Operating Income		<u>0.615894</u>	<u>0.621174</u>
8	Gross Revenue Conversion Factor Per Staff		<u>1.623655</u>	<u>1.609855</u>

**Illinois-American Water Company**  
**Pekin**  
**Cash Working Capital Adjustment**  
**For the Test Year Ending September 30, 2013**

Line No. (A)	Item (B)	Amount <sup>(1)</sup> (C)	Average Daily Amount (C)/365 (D)	Expense (Lead)/Lag <sup>(2)</sup> (E)	Cash Requirement (D)*(E) (F)	Source (G)
1	Revenue	\$ 8,456,668				Staff Initial Brief PK, page 11, line 3
2	Return on Equity	(775,696)				Staff Initial Brief PK, page 11, line 13
3	Uncollectible Accounts	(72,084)				
4	Total Depr/Amortization	(1,643,065)				Staff Initial Brief PK, page 11, line 7
5						
6	Net Revenues	<u>\$ 5,965,823</u>	\$ 16,345	45.52	\$ 744,012	Sum Lines 1 through 4
7						
8	Labor	\$ 909,679	2,492	(12.67)	(31,577)	
9	Fuel and Power	81,329	223	(32.69)	(7,284)	
10	Chemicals	67,635	185	(52.32)	(9,695)	
11	Purchased Water	-	-	-	-	
12	Waste Disposal	-	-	(7.71)	-	
13	Service Company Charges	1,034,821	2,835	9.22	26,140	
14	Group Insurance	227,818	624	4.81	3,002	
15	Pensions	108,537	297	18.50	5,501	
16	Insurance Other than Group	150,247	412	42.39	17,449	
17	Customer Accounting	135,250	371	(62.82)	(23,278)	
18	Rents	4,653	13	(5.25)	(67)	
19	General Office	171,774	471	(40.94)	(19,267)	
20	Maintenance	319,014	874	(54.38)	(47,529)	Staff Initial Brief PK, page 11, line 10
21	Miscellaneous	<u>420,762</u>	1,153	(36.88)	<u>(42,514)</u>	
22						
23	Total O&M Expenses	<u>\$ 3,631,519</u>			<u>(129,118)</u>	Sum Lines 7 through 21
24						
25	General Taxes	502,497	1,377	(73.64)	(101,380)	
26	Federal Income Tax - Current	1,035,774	2,838	(76.89)	(218,194)	
27	State Income Tax - Current	123,249	338	(37.50)	(12,663)	
28	Interest Expense	<u>672,784</u>	1,843	<u>(86.78)</u>	<u>(159,957)</u>	Staff Initial Brief PK, p. 8, line 3
29						
30	Subtotal Other Expenses	<u>\$ 2,334,304</u>			<u>(492,193)</u>	Sum Lines 25 through 28
31	Total Expenses	<u>\$ 5,965,823</u>				Line 23 + Line 30
32	Total Cash Working Capital Requirement per Staff (Rounded to nearest \$1,000)				\$ 123,000	Line 6 + Line 23 + Line 30
33						
34	Cash Working Capital per Company				<u>259,000</u>	IAWC Ex. 6.03R
35						
36	Staff Proposed adjustment				<u>\$ (136,000)</u>	Line 32 - Line 34

Source:

(1) Amounts from IAWC Ex. 6.03R, except where noted.

(2) IAWC Ex. 6.03R

Illinois-American Water Company  
Pekin  
Cash Working Capital Adjustment  
For the Test Year Ending September 30, 2013

Line No. (A)	Item (B)	Amount (C)	Source (D)
1	Total operating revenue	\$ 8,456,668	Staff Initial Brief PK, p. 1, line 3, column (i)
2	Surcharge revenue	-	Not applicable
3	Total revenue	<u>\$ 8,456,668</u>	Line 1 + Line 2
4	Depr/amortization per Income Statement	\$ 1,580,677	Staff Initial Brief PK, p. 1, line 19, column (i)
5	Amortization of rate case expense	45,963	Staff Initial Brief PK, p. 1, line 12, column (i)
6	Reclassify amortization of tank painting	16,425	IAWC Schedule B-10
7	Total depr/amortization for CWC	<u>\$ 1,643,065</u>	Sum of lines 10 through 12
8	Maintenance-other per Income Statement	\$ 335,439	Staff Initial Brief PK, p. 1, line 17, column (i)
9	Reclassify amortization of tank painting	16,425	Line 12
10	Total Maintenance-other for CWC	<u>\$ 319,014</u>	Line 14 - Line 15
11	Total Rate Base	\$ 19,606,109	Staff Initial Brief PK, p. 1, line 29, column (i)
12	Weighted Cost of Capital	3.96%	Staff Ex. 14.0, Sch. 14.1
13	Return on equity deduction from revenue	<u>\$ 775,696</u>	Line 17 * Line 18